2000 Annual Report of the
Provincial Auditor of Ontario
to the Legislative Assembly

101-01741/

To the Honourable Speaker of the Legislative Assembly

I am pleased to transmit my Annual Report for submission to the Assembly in accordance with the provisions of section 12 of the *Audit Act*.

Erik Peters, FCA
Provincial Auditor

Fall 2000

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Preface

This *2000 Annual Report*, together with my *Special Report on Accountability and Value for Money* that was tabled November 21, 2000, meet my annual reporting mandate for the year ended March 31, 2000 under Section 12 of the *Audit Act*.

CHAPTER ONE

Public Accounts of the Province

1.00 INTRODUCTION

Under section 12 of the *Audit Act*, the Provincial Auditor is required to report annually to the Speaker of the Legislative Assembly after the fiscal year end is closed and the Public Accounts have been laid before the Assembly. This year, the Ministry of Finance finalized the Public Accounts near the end of October. This late date was due to the complex accounting issues arising from the restructuring of Ontario Hydro.

Nevertheless, a significant portion of our report was already completed and ready for publication; specifically, our value for money audit reports and follow-ups of recommendations made in our *1998 Annual Report*. Not wishing to defer the release of these items until a later date, my Office prepared a *Special Report on Accountability and Value for Money* in order that the Legislature be informed of the results of these audit activities in a timely manner.

I issued this Special Report to the Legislative Assembly on November 21, 2000. Shortly after my Special Report had been sent for printing, the Public Accounts were tabled in the Legislature on November 1, 2000, thereby allowing my Office to finalize this Annual Report.

The *Audit Act* requires that in my Annual Report I comment on the results of my examination of the province's financial statements as reported in the Public Accounts. Accordingly, this chapter presents my Auditor's Report on the province's financial statements and also discusses a number of significant issues that arose during this year's audit of these financial statements. Also, as required by section 12 of the *Audit Act*, I report on Special Warrants and Treasury Board Orders issued during the year.

Chapter Two of this report outlines the activities of my Office, including the externally audited statement of expenditure of my Office for the year ended March 31, 2000. Chapter Three discusses the composition and activities of the Standing Committee on Public Accounts.

BACKGROUND

The Public Accounts for each fiscal year ending March 31 are prepared under the direction of the Minister of Finance as required by the *Ministry of Treasury and Economics Act*. The Act requires the Public Accounts to be delivered to the Lieutenant Governor in Council for

presentation to the Legislative Assembly not later than the tenth day of the first session held in the following calendar year. However, the Public Accounts are normally tabled in the Assembly in the late summer or early autumn after the end of the fiscal year to which they pertain.

The financial statements of the province, which are included in the Public Accounts, are the responsibility of the Government of Ontario. This responsibility encompasses ensuring the integrity and fairness of the information presented in the statements, including the many amounts based on estimates and judgment. The government is also responsible for ensuring that an established system of control with supporting procedures is in place to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

I audit and express an opinion on the financial statements of the province. The objective of my audit is to determine, with reasonable assurance, whether the financial statements are free of material misstatement. The financial statements, along with my Auditor's Report on them, are provided in a separate volume of the Public Accounts. In addition to the financial statements, the Public Accounts include three supplementary volumes:

- Volume 1 contains the Consolidated Revenue Fund schedules and ministry statements. These schedules and statements reflect the financial activities of the government's ministries on a modified cash basis.
- Volume 2 contains the financial statements of significant provincial Crown corporations, boards and commissions that are part of the government's reporting entity and other miscellaneous financial statements.
- Volume 3 contains the details of expenditure and the Ontario Public Service senior salary disclosure.

Again this year, the Province of Ontario has published an annual report together with the Public Accounts. This annual report presents a summary and analysis of the financial information contained in the financial statements, as well as condensed financial statements of the province. The annual report serves to enhance the fiscal accountability of the government to both the Legislative Assembly and the public.

I review the information in the annual report and the three supplementary volumes for consistency with the information presented in the financial statements.

THE PROVINCE'S 1999/2000 FINANCIAL STATEMENTS

The *Audit Act* requires that in my Annual Report I report on the results of my examination of the province's financial statements as reported in the Public Accounts. I am pleased to report that my Auditor's Report to the Legislative Assembly on the financial statements for the year ended March 31, 2000 is clear of any qualifications or reservations and reads as follows:

To the Legislative Assembly of the Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 2000 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

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In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the Audit Act, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

[*signed*]

Toronto, Ontario
August 9, 2000

Erik Peters, FCA
Provincial Auditor

The date of my Auditor's Report indicates the date of substantial completion of my audit. However, due to the complexity of the electricity sector restructuring, as outlined below, discussions with the Ministry of Finance on how to appropriately reflect this restructuring in the province's financial statements continued until late October. Accordingly, the Public Accounts were not tabled in the Legislative Assembly until November 1, 2000.

ELECTRICITY SECTOR RESTRUCTURING

BACKGROUND

Prior to April 1, 1999, Ontario Hydro operated as a monopoly under the authority of the *Power Corporation Act* and had broad powers to generate, supply, deliver and regulate electric power at cost throughout Ontario. Because the ownership of Ontario Hydro was uncertain, and its earnings and net assets were not available for distribution to the province, it was not included in the province's financial statements in previous years.

In its November 1997 White Paper entitled *Direction for Change—Charting a Course for Competitive Electricity and Jobs in Ontario*, the government announced that it planned to restructure Ontario's electricity sector to encourage competition. The planned restructuring represented a major change in the accountability relationship and governance structure between the province and the electricity sector as illustrated by the following statement in the White Paper:

> *New governance structures would be created. The Government would exercise control through its role as owner and shareholder...*

In November 1998, the *Energy Competition Act* was enacted to provide legislative authority for the planned restructuring, and, on April 1, 1999, Ontario Hydro assets and liabilities were transferred to five successor entities:

- The Ontario Power Generation Inc. (OPG), which holds and operates all electricity generation assets.
- Hydro One Inc. (Hydro One, formerly the Ontario Hydro Services Company), which holds and operates all transmission assets and distribution and energy services businesses.
- The Ontario Electricity Financial Corporation (OEFC), which is responsible for holding and retiring debts of the former Ontario Hydro, including its "stranded debt." Stranded debt is conceptually defined as the amount of debt and other liabilities of OEFC that cannot reasonably be serviced and retired in a competitive electricity marketplace. OEFC also administers those Ontario Hydro assets, liabilities, rights and obligations not transferred to any other successor company.
- The Independent Electricity Market Operator (IMO), which is responsible for directing system operations and operating the electricity market.
- The Electrical Safety Authority, which performs a regulatory function related to electrical inspections.

From an ownership perspective, the effect of the restructuring is that, with the exception of the Electrical Safety Authority, the province now directly owns each of these new entities. Each is accountable to the government through the Minister of Energy, Science and Technology for its operations. Therefore, in accordance with accounting principles for governments as recommended by the Canadian Institute of Chartered Accountants, the net assets/liabilities and the annual operating results of these four entities have now been included in the province's financial statements as either government organizations (OEFC and IMO) or government business enterprises (OPG and Hydro One).

EFFECT OF INCLUSION IN PROVINCE'S FINANCIAL STATEMENTS

One of the most critical steps in the restructuring process was to determine the fair market value of Ontario Hydro's assets to be transferred to the new entities. Both Ontario Hydro and the government, assisted by private sector investment firms and other experts, recognized that the market value of these assets in a competitive environment would be significantly less than the book amounts that were recorded in the accounts of Ontario Hydro. The shortfall between the value of these assets and the value of Ontario Hydro's total debt and other liabilities being transferred to the new entities constituted stranded debt.

To ensure that the new operating companies, OPG and Hydro One, would succeed in the new competitive marketplace, the government redistributed Ontario Hydro's assets and liabilities such that all of the stranded debt became the responsibility of OEFC. The Ministry of Finance determined that Ontario Hydro's total debt and other liabilities assumed by OEFC amounted to $38.1 billion, which greatly exceeded the final market value of the assets received by OEFC of $18.7 billion. This shortfall created stranded debt of approximately $19.4 billion, which represented the amount of debt and other liabilities of OEFC that could not be serviced in a competitive environment.

Consequently, when OEFC commenced operations on April 1, 1999, it had a net unfunded liability (stranded debt) of $19.4 billion that the province, through OEFC, became directly responsible for retiring. This stranded debt included the responsibility for probable losses of $4.2 billion related to power purchase contracts with non-utility generators and $2.4 billion in nuclear decommissioning liabilities. The most significant impact of the restructuring in the province's statement of financial position is the inclusion of the stranded debt.

1.00

For the fiscal year ended March 31, 2000, OEFC's expenses exceeded its revenues by a further $554 million, thereby increasing its unfunded liability to $20 billion. Offsetting OEFC's $554 million loss was $200 million in OPG and Hydro One deferred taxes that have been earmarked for eventual defeasance of the stranded debt. Accordingly, the net impact of electricity restructuring for the year is a loss to the government of $354 million, and an increase of $19.4 billion and $19.8 billion in its opening and closing net debt, respectively.

The government has established a long-term plan to retire all of OEFC's obligations, including the $19.8 billion stranded debt, from dedicated revenue streams derived from the electricity sector. The main source of these revenues will be:

- interest from OEFC's existing notes receivable;
- payments by electricity sector entities in lieu of property, corporate income and capital taxes;
- government profits from ownership of OPG and Hydro One in excess of the debt costs related to this investment; and
- a debt retirement charge to be levied on ratepayers based on future electricity consumption.

The government believes that since the retirement of OEFC's obligations is to be wholly accomplished through the electricity ratepayer rather than the taxpayer base, the financial statements should distinguish the ongoing impact of the recovery plan from other government activities. Accordingly, this year's financial statements provide a separate disclosure of the $354 million loss and the opening and closing balances of stranded debt.

In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results.

RISK TO ONTARIO TAXPAYERS

Another reason we believe it is important for the province's statement of financial position to reflect the stranded debt is to provide information about the risks to Ontario taxpayers under the electricity restructuring arrangements. For example, in the last year, the government advanced $5.4 billion to OEFC to enable it to refinance maturing debt from the former Ontario Hydro and to cover operating cash shortfalls. Total advances to OEFC, amounting to $9.6 billion as at March 31, 2000, illustrate OEFC's economic dependence on the province. OEFC's continued existence is also dependent on the success of the long-term plan to defease the stranded debt. We requested that the Ministry of Finance, in consultation with us, arrange for an independent review to be conducted of the assumptions underlying the long-term plan to defease the stranded debt of OEFC. The result of that review and the cash provided by the government to OEFC allowed us to conclude that OEFC was a "going concern" as at March 31, 2000. The plan's long-term cash flow projections indicate defeasance of the stranded debt by 2017 from dedicated revenues from the electricity sector.

The government is also party to several indemnity arrangements with respect to the restructuring. For example, the province continues to guarantee the legacy debt of Ontario Hydro. These guarantees totalled $21.7 billion as at March 31, 2000. The government has also guaranteed OEFC's indemnification of OPG and Hydro One in respect of any adverse claim to title of any asset, right or thing transferred to them. OEFC has also agreed to provide certain levels of working capital and total assets to OPG and Hydro One, respectively, and is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers. The government is currently negotiating a nuclear risk-sharing agreement with the OPG that could expose the province to financial liability if estimated costs for the disposal of used fuel increase beyond certain thresholds.

The long-term plan to defease the stranded debt is subject to uncertainties. Given these uncertainties, the debt guarantees and the indemnities, we believe there is a risk that the taxpayers may ultimately have to bear some of the financial responsibility for the outstanding debt.

NEW ACCOUNTING APPROACH REQUIRED FOR MULTI-YEAR FUNDING

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Over the last few years, there has been a trend in Ontario to approve and treat as a current year's expenditure grants and other transfers that are provided to fund the activities of future periods. These types of transactions are particularly attractive to governments in years when revenues exceed expenditures and the amount of the surplus is greater than that expected and budgeted. By recording the expenditures of anticipated future-year activities in advance, a government increases the likelihood that it can meet fiscal targets for future years. Accordingly, we are concerned that such transfers can distort annual operating results for both current and future years.

Our view is that this practice distorts government financial reporting. It is essential that the annual operating statements of governments properly reflect the revenues and expenditures that relate to the fiscal period being measured. Otherwise, users of financial statements will not be able to objectively assess a government's fiscal performance for the year, its revenues earned vis-à-vis its expenditures on government programs or make useful comparisons of such information between past and future periods or between different jurisdictions.

In this fiscal year, this practice manifested itself in significant "unbudgeted" expenditures that were first announced publicly in the May 2000 Budget but applied to the fiscal period ending March 31, 2000. Expenditures of this nature make it difficult for users of the financial statements to assess the extent to which the government is achieving its budget targets. Ontario's new balanced budget legislation further emphasizes the importance and need to fairly measure and report annual financial results.

As one example of this type of transaction, the government announced in its May 2000 Budget that $1 billion in capital grant funding would be provided to accelerate capital projects recommended by the Health Services Restructuring Commission. The determination of the $1 billion in grants was based on plans submitted by each hospital prior to March 31, 2000 outlining their proposed major capital projects over the next four years. The government signed agreements with each hospital to fund 70% of the costs of planned capital projects. Because both the signed agreements and Cabinet approval for the transfer were in place prior to March 31, 2000, the government recorded the entire $1 billion as a liability and expenditure for the 1999/2000 fiscal year. The actual funds were advanced to the hospitals shortly after the Budget announcement in May 2000.

We noted that the Ontario Hospital Association stated that with the $1 billion in grants the government addressed a key concern of hospitals regarding the need to accelerate the cash flow of capital funding. However, the Ontario Hospital Association also expressed concerns that hospitals had to raise 30% of the cost of these capital projects and that this requirement could jeopardize their success.

Currently, professional standards for government financial accounting do not address multi-year funding issues of this nature in an unequivocal manner. For example, it is often difficult to distinguish between commitments related to future years that should only be disclosed in the notes to the financial statements and liabilities that should be recognized as expenditures and reflected as a charge to operations. It should also be noted that Public Sector Accounting Board (PSAB) standards have been developed over the past two decades, when government

deficits rather than surpluses were the norm. Governments in deficit positions are rarely interested in accelerating the recognition of expenditures.

Accordingly, we sought external legal advice as to whether a legally binding, contractual liability existed as at March 31, 2000, based on the specific terms of the agreement and the circumstances surrounding the awarding of these hospital grants. Based on the advice we received, we concluded that it was probable that a legal liability did exist as at March 31, 2000. Given this, we reluctantly accepted the proposed accounting treatment for the $1 billion in hospital grants. Notwithstanding, we formally raised with the Ministry of Finance the form-over-substance issue of recording grants related to future year activities as in-year expenditures.

The preceding hospital grant situation is not an isolated instance of multi-year funding, as the following examples illustrate:

- In its May *2000 Ontario Budget*, the government publicly announced, and subsequently provided, $500 million to the Ontario Innovation Trust. This entire amount was recorded as an expenditure for the 1999/2000 fiscal year. The Trust was created by the government in 1998/99 as a vehicle for increasing the capability of Ontario universities, colleges, hospitals and other non-profit organizations to carry out scientific research and technology development. As discussed in greater detail in Chapter Two of my *Special Report on Accountability and Value for Money,* the government also provided and charged as an expenditure $250 million to the Trust in the year ended March 31, 1999. We consider all $750 million of this funding to be multi-year in nature, since according to the Trust's financial statements, as at March 31, 2000, only some $2.5 million in Trust funds had actually been disbursed to support research activities, and another $158 million had been earmarked for that purpose. As a result, the financial statements give the impression that the government spent $750 million on innovation expenditures by March 31, 2000, when actual disbursements and commitments amounted to only $160 million.
- Also in its May *2000 Ontario Budget*, the government announced and subsequently provided $286 million in multi-year capital support for post-secondary education expansion and renovation projects. Agreements were in place prior to March 31, 2000, and, as was the case with the hospitals, Cabinet authorization had been obtained by March 31 to support the upcoming transfer. Accordingly, the entire amount was recorded as an expenditure for the 1999/2000 fiscal year. The result of these transactions is that, rather than being spread over a period of years, multi-year funding is being charged as an expenditure in one fiscal period.
- The May *2000 Ontario Budget* also announced support of $268 million to four district school boards to release the province from further obligations under phase-in funding for the student-focused funding model. The amount covered commitments up to and including the 2002/03 fiscal period but was nevertheless recorded as an expenditure for the year ended March 31, 2000. Although the funds in this case were provided prior to year-end, this is a further example of multi-year funding being charged as an expenditure in one fiscal period.
- During the 1999/2000 fiscal year, the government provided $660 million in multi-year capital support for other post-secondary education expansion projects. This initiative had been announced in the government's May *1999 Ontario Budget*, and the funds were flowed to

the institutions and charged as expenditures during the 1999/2000 fiscal year. However, only a portion of these funds, if any, had been used by the education institutions by the end of the year. The remaining funds are to be used to finance capital projects in future periods.

I firmly believe the practice of charging multi-year funding to current year's operations must cease. At year-end, funding that relates to future years should be treated as advances, included on the government's statement of financial position as assets, and drawn down and charged as expenditures in the years in which the activities funded actually occur.

Because accounting standards in this area are open to interpretation, I have to date accepted these types of expenditures. However, my Office has advised the government that significant items related to future years' operations—whether it be by way of transfers to trusts funded by the government, "unconditional" grants or certain "restructuring" charges—should in future be charged in the appropriate year. If such multi-year items are in future recorded as expenditures in one year, on a substance-over-form basis, I will have to reassess whether to then include a reservation in my Auditor's Report on the province's financial statements.

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ACCOUNTING FOR TANGIBLE CAPITAL ASSETS

Currently, Ontario ministries and government service organizations charge the full cost of capital assets to expenditures in the year of acquisition or construction. This differs from the practice followed in the private sector where capital assets are recorded on the statement of financial position as assets and amortized to operations over their estimated useful lives. In June 1997, PSAB approved a new set of recommendations setting out rules for the recognition, measurement, amortization and presentation of government capital assets. Among other things, the standard calls for a new statement of tangible capital assets to be included as part of the financial statements.

The Ministry of Finance has not as yet adopted the recommendations contained in this standard. It is actively considering the future implementation of these recommendations once a new government-wide financial information system (IFIS) is fully implemented. IFIS is a major information technology project presently under development to replace the government's current accounting system. The new system is expected to be implemented over the next couple of years.

In December 1999, the government re-established the Ontario Financial Review Commission (Commission) to review the financial management practices of the government and its major transfer partners. Among the items the Commission is examining are capital funding, capital financing and options for reporting the government's investment in tangible capital assets. At the request of the Minister of Finance under section 17 of the *Audit Act*, I am serving as special advisor to the Commission.

There is little doubt that instituting a system to properly account for Ontario's significant capital investments represents a challenge. However, we support PSAB's recommendations, as we believe that the resulting enhanced financial information would be valuable for both decision-makers and stakeholders. We continue to look forward to consultation on this matter to assist in ensuring that existence, ownership, auditability and valuation issues regarding these assets are resolved, that value for money is obtained, and that cost-effective business practices, systems and procedures are in place to manage, control and account for these assets.

NEW PSAB INITIATIVES

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants attempts to foster improved financial and performance information by continuously improving its existing recommendations and by developing new recommendations to deal with emerging accounting and auditing issues. Three of the most significant are the following:

- Currently, a PSAB project is underway which will result in a revision to PSAB pension accounting recommendations. In addition to addressing accounting for past service pension costs and jointly sponsored plans, this project will also deal with liabilities for retirement benefits other than pensions, such as medical, dental and life insurance benefits. As such, a new *PSA Handbook* section addressing all retirement benefits is anticipated. PSAB also proposes in this project that the effect of past service costs of pension plan amendments can be reduced by offsetting these against available unamortized realized gains of the pension plan.
- PSAB is currently examining the federal and provincial government reporting model, and is considering revising the current net debt model to better incorporate information on the full cost of providing government services. For example, the preliminary proposed model would change the method of arriving at the government's annual deficit or surplus by including the amortization of tangible capital assets over their useful lives rather than the immediate recognition of capital acquisitions as government expenditures.

OTHER RECOMMENDATIONS FOR IMPROVEMENT

Although the audit of the province's financial statements was not designed to identify all weaknesses in internal controls, nor to provide assurances on financial systems and procedures as such, we noted a number of areas during the audit where we believed improvements could be made. These areas include the need for an enhanced accounting research capability by the Ministry of Finance and more timely consultation by the Ministry with our Office on potentially contentious issues. While none of these matters affects the fairness of the financial statements of the province, they will be covered, along with accompanying recommendations for improvement, in a management letter to the Ministry of Finance.

OTHER MATTERS

The Provincial Auditor is required under section 12 of the *Audit Act* to report on any Special Warrants and Treasury Board Orders issued during the year. Additionally, under section 91 of the *Legislative Assembly Act*, the Provincial Auditor is required to report on any transfers of money between Items within the same Vote in the Estimates of the Office of the Legislative Assembly.

LEGISLATIVE APPROVAL OF GOVERNMENT EXPENDITURES

The government tables detailed Expenditure Estimates, outlining each ministry's spending proposals on a program-by-program basis, shortly after presenting its Budget. The Standing Committee on Estimates reviews selected ministry Estimates and presents a report to the Legislature with respect to those ministry Estimates that were reviewed. The Estimates of those ministries that are not selected for review are deemed to be passed by the Committee and reported as such to the Legislature. Orders for Concurrence for each of the Estimates reported on by the Committee are debated in the Legislature for a maximum of six hours and then voted on.

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Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving the *Supply Act*, which stipulates the amounts that can be spent according to the ministry programs as set out in the Estimates. Once the *Supply Act* is approved, the individual program expenditures are considered Voted Appropriations. The *Supply Act, 1999* pertaining to the fiscal year ended March 31, 2000, received Royal Assent on December 23, 1999.

Typically, prior to the passage of the Supply Act, the Legislature authorizes payments by means of motions for interim supply. For the 1999/2000 fiscal year, the time periods covered by the motions for interim supply and the dates that the motions were agreed to by the Legislature were as follows:

- November 1, 1998 to April 30, 1999—passed October 13, 1998
- November 1, 1999 to April 30, 2000—passed October 25, 1999.

Payments for the period April 1, 1999 to October 31, 1999 were authorized by Special Warrants. The nature of this authority is more fully explained below.

SPECIAL WARRANTS

If motions for interim supply cannot be approved because the Legislature is not in session, section 7 of the *Treasury Board Act, 1991* allows the issue of Special Warrants authorizing the expenditure of money for which there is no appropriation by the Legislature. Special Warrants are authorized by Orders in Council approved by the Lieutenant Governor on the recommendation of the government.

Four Special Warrants were issued for the fiscal year ended March 31, 2000. The Special Warrants were approved by two Orders in Council, dated March 24, 1999 and June 16, 1999, totalling $15,458,091,400 and $19,011,511,600, respectively. Payments for both the general and necessary expenditures of the government, and for the general and necessary expenditures of the Offices of the Chief Election Officer, the Provincial Auditor, the Legislative Assembly and Ombudsman Ontario were authorized by these Special Warrants.

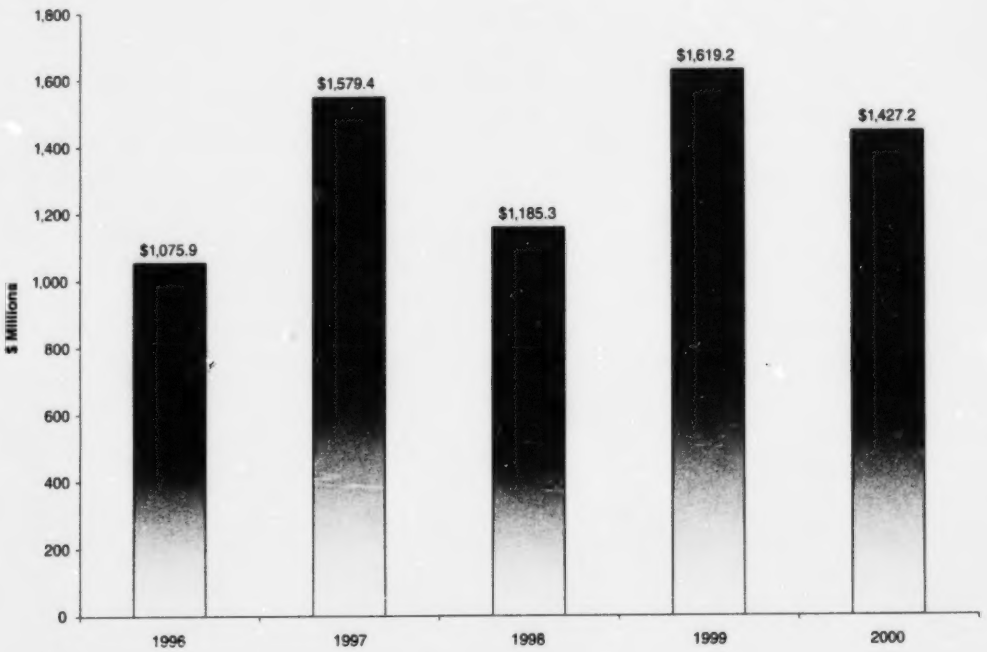
The amounts of the Special Warrants were based on anticipated cash requirements, on the premise that expenditures would continue up to the authorized limit, and then under authority of motions of interim supply. In accordance with a Standing Order of the Legislature, summaries of the Special Warrants were tabled on the first Sessional day following the issue of the Warrants.

The total expenditures approved by the *Supply Act, 1999* excluded the amounts authorized by the four Special Warrants.

TREASURY BOARD ORDERS

Section 8 of the *Treasury Board Act, 1991* allows the Treasury Board to make an order authorizing payments to supplement the amount of any Voted Appropriation that is insufficient to carry out the purpose for which it was made, provided the amount of the increase is offset by a corresponding reduction of expenditures from other Voted Appropriations not fully spent in the fiscal year. The order may be made at any time before the first day of May following the end of the fiscal year in which the supplemented appropriation was made.

The following chart is a summary of the total value of Treasury Board Orders issued for the past five fiscal years:



Treasury Board Orders for the 1999/2000 fiscal year summarized by month of issue are as follows:

Month of Issue	Number	Authorized $
May 1999-February 2000	27	435,946,700
March 2000	21	565,951,000
April 2000	9	425,296,300
	57	1,427,194,000

In accordance with a Standing Order of the Legislative Assembly, the preceding Treasury Board Orders have been printed in *The Ontario Gazette*, together with explanatory information. Also printed were Treasury Board Orders for the past two fiscal years, 1997/98 and 1998/99. A detailed listing of 1999/2000 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit Four of this report.

TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

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When the Board of Internal Economy authorizes the transfer of money from one Item of the Estimates of the Office of the Assembly to another Item within the same Vote, section 91 of the *Legislative Assembly Act* requires the Provincial Auditor to make special mention of the transfer(s) in the Annual Report.

In respect of the 1999/2000 Estimates, the following transfers were made within Vote 201:

From:	Item 3	Legislative Services	$ 520,700
	Item 5	Administrative Services	285,700
To:	Item 4	Legislative Library and Information Systems	450,900
	Item 7	Caucus Support Services	37,800
	Item 11	Restructuring Costs	317,700

UNCOLLECTABLE ACCOUNTS

Under section 5 of the *Financial Administration Act,* the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order in Council to delete from the accounts any amount due to the Crown which is deemed uncollectable. The losses deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 1999/2000 fiscal year, receivables of $173.9 million due to the Crown from individuals and non-government organizations were written off (in 1998/99 the comparable amount was $193.7 million). Volume 2 of the *1999/2000 Public Accounts of Ontario* provides a listing of these write-offs in total by ministry or Crown agency.

Under the accounting policies followed in the audited financial statements of the province, a provision for doubtful accounts is recorded against the accounts receivable balances. Accordingly, most of the $173.9 million in write-offs had already been provided for in the audited financial statements. However, the actual deletion from the accounts required Order in Council approval.

The major portion of the write-offs related to the following:

- $58.4 million for uncollectable taxes relating to corporation tax receivables;
- $34.2 million for uncollectable taxes relating to retail sales tax receivables;
- $37 million for uncollectable loans made under the Student Support Programs; and
- $14.6 million for uncollectable accounts receivable relating to billings charged to individuals who resided in community and social services facilities.

CHAPTER TWO

The Office of the Provincial Auditor

MISSION STATEMENT

Our mission is to report to the Legislative Assembly objective information and recommendations resulting from our independent audits of the government's programs, its Crown agencies and corporations. In doing so, the Office assists the Assembly in holding the government and its administrators accountable for the quality of the administration's stewardship of public funds and for the achievement of value for money in government operations.

INDEPENDENCE

The Provincial Auditor is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council on the address of the Assembly. This is done after consultation with the Chair of the Standing Committee on Public Accounts. The Provincial Auditor and staff of the Office are independent of the government and its administration. We have access to all relevant information and records necessary to the performance of our duties under the *Audit Act*. Our independence is a safeguard that enables the Office to fulfil its auditing and reporting responsibilities objectively and fairly.

The Board of Internal Economy, an all-party legislative committee independent of the government's administrative process, reviews our budget, which is subsequently laid before the Legislative Assembly. As required by the *Audit Act*, the Office's expenditures relating to the 1999/2000 fiscal year have been audited by a firm of chartered accountants appointed by the Board and are presented at the end of this chapter. The audited statement of expenditure is submitted annually to the Board and subsequently tabled in the Assembly.

AUDIT RESPONSIBILITIES

We audit the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund, the financial statements of the province and the accounts of agencies of the Crown, and we audit the administration of government programs and activities, as carried out by ministries and agencies of the Crown under government policies and legislation. Our responsibilities are set out in the *Audit Act* (Exhibit Five in this Report).

The Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Assembly at any time on any matter that in the opinion of the Provincial Auditor should not be deferred until the Annual Report. We also assist

and advise the Standing Committee on public accounts in its review of the Public Accounts of the province and the Annual Report of the Provincial Auditor.

Our audit responsibilities do not extend to government policy matters. The Office does not audit government policies or information contained in cabinet documents used in policy deliberations or decisions. The government is held accountable for policy matters by the Legislative Assembly, which continually monitors and challenges government policies and programs through questions during legislative sessions and through reviews of legislation and expenditure estimates.

ACCOUNTS OF THE PROVINCE AND MINISTRIES

2.00

The Provincial Auditor, under subsection 9(1) of the *Audit Act*, is required to audit the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise. To this end, the Office carries out an annual attest audit to enable the Provincial Auditor to express an opinion on the province's summary financial statements and carries out cyclical value for money audits in accordance with subsection 12(2) of the *Audit Act*. Exhibit One in this Report lists the value for money audits that were conducted in 1999/2000 and reported on in this year's *Special Report on Accountability and Value for Money.*

AGENCIES OF THE CROWN AND CROWN CONTROLLED CORPORATIONS

The Provincial Auditor, under subsection 9(2) of the *Audit Act*, is required to audit those agencies of the Crown that are not audited by another auditor. Exhibit Two, part (i), lists the agencies audited during the 1999/2000 audit year. Public accounting firms are currently contracted by the Office to audit the financial statements of several of these agencies on its behalf.

Exhibit Two, part (ii), and Exhibit Three list the agencies of the Crown and Crown controlled corporations audited by public accounting firms during the 1999/2000 audit year. Subsection 9(2) of the *Audit Act* requires public accounting firms that are appointed auditors of certain agencies of the Crown to perform their audits under the direction of, and to report to, the Provincial Auditor. Under subsection 9(3) of the Act, public accounting firms auditing Crown controlled corporations are required to deliver to the Provincial Auditor a copy of the audited financial statements of the corporation and a copy of their report of their findings and recommendations to management (management letter).

ADDITIONAL RESPONSIBILITIES

Under section 16 of the *Audit Act*, the Provincial Auditor may, by resolution of the Standing Committee on Public Accounts, be required to examine and report on any matter respecting the Public Accounts.

Section 17 of the Act requires the Provincial Auditor to undertake special assignments requested by the Assembly, the Standing Committee on Public Accounts (by resolution of the Committee), or by a minister of the Crown. However, these special assignments are not to take precedence over the Provincial Auditor's other duties. The Provincial Auditor can decline an assignment referred by a minister if, in the opinion of the Provincial Auditor, it conflicts with other duties.

During the period of audit activity covered by this Annual Report and our *Special Report on Accountability and Value for Money* (October 1999 to September 2000), the Provincial Auditor was involved in the following special assignment:

- On December 17, 1998, the Standing Committee on Public Accounts requested that the Provincial Auditor report to the Committee by mid-June on the corrective action taken by the Ministry of Community and Social Services on the administration of the Andersen Agreement.

  Due to the dissolution of the third session of the Thirty-sixth Parliament, there was no Public Accounts Committee in mid-June 1999; consequently, no report was made at that time. In addition, the necessary decision to extend the Andersen Agreement, originally due to be made by January 27, 1999, had not been made. However, as a result of a new motion carried by the current Standing Committee on Public Accounts at its meeting on November 18, 1999, an interim report was prepared and submitted to the Committee on December 3, 1999.

AUDIT ACTIVITIES

TYPES OF AUDITS

Value for money, compliance and attest audits are the three main types of audits carried out by the Office. The Office generally conducts compliance audit work as a component of its value for money and attest audits. In addition, inspection audits of selected grant recipient organizations may be conducted under section 13 of the *Audit Act*. The following are brief descriptions of each of these audit categories.

VALUE FOR MONEY

Subsection 12(2) of the *Audit Act* requires the Office to report on any cases observed where money was spent without due regard for economy and efficiency, or where appropriate procedures were not in place to measure and report on the effectiveness of programs. This value for money mandate is exercised with respect to various ministry and Crown agency programs and activities each year. We summarized in Chapter Three of our *Special Report on Accountability and Value for Money* the conclusions, observations and recommendations arising from the value for money work we performed between October 1999 and September 2000.

It is not part of the Office's mandate to measure, evaluate or report on the effectiveness of programs or to develop performance measures or standards. These functions are the responsibility of the ministry or agency management. The Office is responsible for reporting on whether or not ministry or agency management has carried out these functions satisfactorily. Our value for money work deals with the administration of programs by management, including major information systems.

We plan, perform and report our value for money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. These standards require that we employ rigorous processes to maintain the quality, integrity and value of our work for our client, the Legislative Assembly of Ontario. They also require that we clearly explain the nature

and extent of the assurance provided as a result of our work. Some of these processes and the degree of assurance they enable us to provide are described below.

SELECTION OF PROGRAMS AND ACTIVITIES FOR AUDIT

Major ministry and agency programs and activities are audited at approximately five-year intervals. Various factors are considered in selecting programs and activities for audit each year. These factors include: the results of previous audits; the total revenues or expenditures at risk; the impact of the program or activity on the public; the inherent risk due to the complexity and diversity of operations; the significance of possible issues that may be identified by an audit; and the costs of performing the audit in relation to the perceived benefits. Possible issues are identified primarily through a preliminary survey of the program or agency.

We also consider the work completed or planned by ministry and agency internal auditors. The relevance, timeliness and breadth of scope of the work done by internal auditors can have a major impact on the timing, frequency and extent of our audits. By having access to internal audit work plans, working papers and reports and by relying, to the extent possible, on internal audit activities, the Office is able to avoid duplication of effort.

OBJECTIVES AND ASSURANCE LEVELS

The objective of our value for money work is to meet the requirements of subsection 12(2) of the *Audit Act* to identify and report significant value for money issues. We also include in our value for money reports recommendations for improving controls, obtaining better value for money and achieving legislated objectives. Management responses to each of these recommendations were reproduced this year in our *Special Report on Accountability and Value for Money.*

The specific objectives for the work are clearly stated in the Objective and Scope section of each report. Our work is designed to allow us to conclude on our stated objectives.

In almost all cases, our work is planned and performed to provide an audit level of assurance. Audit level assurance is obtained by: interviewing management and analyzing the information they provide; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary, obtaining expert assistance and advice in highly technical areas.

An audit level of assurance refers to the highest reasonable level of assurance the Office can provide concerning the subject matter. Absolute assurance that all significant matters have been identified is not attainable for various reasons, including: the use of testing; the inherent limitations of control; the fact that much of the evidence available is persuasive rather than conclusive in nature; and the need to exercise professional judgment.

Infrequently, for reasons such as the nature of the program or activity, limitations in the *Audit Act*, or the prohibitive cost of providing a high level of assurance, the Office will perform a review rather than an audit. A review provides a moderate level of assurance because it consists primarily of inquiries and discussions with management; analyses of information they provide; and only limited examination and testing of systems, procedures and transactions.

CRITERIA

In accordance with professional standards for assurance engagements, work is planned and performed to provide a conclusion on the objective(s) set for the work. A conclusion is reached and observations and recommendations made by evaluating the administration of a program or activity against suitable criteria. Suitable criteria are identified at the planning stage of our audit or review by performing extensive research of sources, such as: recognized bodies of experts; applicable laws, regulations and other authorities; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; and applicable criteria successfully applied in other audits or reviews.

To further ensure their suitability, the criteria being applied are fully discussed and agreed to with senior management responsible for the program or activity at the planning stage of the audit or review.

COMMUNICATION WITH SENIOR MINISTRY OR AGENCY MANAGEMENT

To help ensure the factual accuracy of our observations and conclusions, staff from our Office maintain ongoing communication with senior management throughout the audit or review. Before beginning the work, our staff meet with them to discuss the objectives and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with them. Management provides written responses to our recommendations and these are discussed and incorporated into the final draft report. The Provincial Auditor and senior office staff meet with the deputy minister or agency head to discuss the final draft report and give them an opportunity to finalize the responses. As mentioned above, these responses are provided with the value for money reports.

COMPLIANCE WITH LEGISLATION AND RELATED AUTHORITIES

Subsection 12(2) of the *Audit Act* also requires the Office to report observed instances where:

- accounts were not properly kept or public money was not fully accounted for;
- essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized; or
- money was expended other than for the purposes for which it was appropriated.

Accordingly, as part of our value for money work, we:

- identify provisions in legislation and authorities that govern the programs or agencies being examined or that the management of those programs or agencies is responsible for administering; and
- perform such tests and procedures as we deem necessary to obtain reasonable assurance that management has complied with legislation and authorities in all significant respects.

Where the responsibility for monitoring for compliance with certain legislation has been assigned to an independent person or office, such as the Environmental Commissioner in the

case of the Environmental Bill of Rights or the Human Rights Commission in the case of the Human Rights Code, we would assess the procedures and actions taken by them only when performing value for money work in the respective organization.

ATTEST

Attest (financial) audits are designed to permit the expression of a professional opinion on a set of financial statements in accordance with generally accepted auditing standards. The opinion states whether the operations and financial position of the entity have been fairly presented in compliance with appropriate accounting policies. The Office conducts attest audits of the summary financial statements of the province and of various Crown agencies on an annual basis.

2.00

INSPECTION AUDITS OF GRANT RECIPIENT ORGANIZATIONS

Grants to organizations such as hospitals, universities, community colleges, school boards and thousands of smaller organizations amount to approximately 50% of total government expenditures and are subject to inspection audits. An inspection audit is defined in the *Audit Act* as an examination of accounting records. Although value for money observations may arise as a by-product of such audits, the audits are not value for money oriented because only accounting records can be examined in inspection audits.

The Office may, where circumstances warrant the extension of a ministry or agency audit, conduct inspection audits of grant recipients. In the past, the Office has carried out inspection audits of major recipients of grants, specifically community colleges, universities, hospitals and school boards. However, in recent years, the Office has deferred major inspection audit activity pending consideration of a proposal to amend the *Audit Act* to permit the Office to access all records and information necessary to perform full-scope audits, including value for money, of grant recipients.

Payments are also made to individuals under a variety of programs, such as the Ontario Health Insurance Plan or the Ontario Disability Support program. Such individual recipients of government funds are not, and should not be, subject to direct audit by the Provincial Auditor. For these kinds of programs, our audits focus on the ministries' procedures to ensure that only eligible recipients are being paid the correct amount.

REPORTING ACTIVITIES

VALUE FOR MONEY AUDITS

Our draft reports and management letters are considered to be an integral part of our audit working papers and, according to section 19 of the *Audit Act*, are not required to be laid before the Assembly or any of its committees.

The Office prepares a preliminary draft report for discussion and factual clearance as each audit or review is completed. The preliminary draft report is discussed with senior ministry or agency officials and revised, as necessary, to reflect the results of the discussion. The resulting draft report with the ministry or agency response included is then reviewed with the appropriate deputy minister or agency head (chair). Following clearance of the preliminary draft report and

the ministry or agency response, a final draft report is prepared and issued to the deputy minister or agency head and, where deemed necessary, to the minister. These final draft audit reports form the basis of our reports to the Legislative Assembly.

AGENCY ATTEST AUDITS

With respect to attest audits of agencies, agency legislation normally stipulates that the Provincial Auditor's reporting responsibilities are to the agency's board and the minister(s) responsible. Also, we provide copies of the audit opinions and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Management Board of Cabinet.

In instances where matters that require improvements by management have been noted during the course of an agency attest audit, a draft management letter is prepared, discussed with senior management and revised, as necessary, to reflect the results of the discussion. The draft management letter with management's response included is also reviewed with the agency's chief executive officer. Following clearance of the draft management letter and the response of the agency's senior management, a final management letter is prepared and, if deemed necessary, issued to the agency head. Depending on the significance of the content of the management letter, a copy of it may also be forwarded to the minister and deputy minister of the associated ministry and to the Secretary of the Management Board of Cabinet. Matters of significance contained in the management letter may also be included in the Provincial Auditor's reports to the Legislative Assembly.

SPECIAL ASSIGNMENTS

Under sections 16 and 17 of the *Audit Act*, the Office has additional reporting responsibilities relating to special assignments for the Legislative Assembly, the Standing Committee on Public Accounts or a minister of the Crown. At the conclusion of such work, the Provincial Auditor normally reports to the initiating authority of the assignment.

REPORTING

Subsection 12(2) of the *Audit Act* specifies the reporting requirements for the Annual Report. This year, the Provincial Auditor issued two reports: the *Special Report on Accountability and Value for Money* and this *2000 Annual Report*.

SPECIAL REPORT ON ACCOUNTABILITY AND VALUE FOR MONEY

Chapter One provides an overview of the Provincial Auditor's findings for this year's value for money audit activities as well as summaries of the value for money audits and reviews that were conducted.

Chapter Two of the Special Report contains observations on the subject of improving public sector accountability.

Chapter Three contains the reports resulting from our value for money audits of ministries and agencies conducted during the year.

To ensure that our recommendations receive timely attention, we follow up on the progress of action taken by the ministry or agency to address our audit observations and recommendations

and report on their status two years after they were reported. A detailed account of the current status of recommendations made in the *1998 Annual Report* is provided in Chapter Four.

ANNUAL REPORT

Chapter One is devoted to the Provincial Auditor's comments on the audit of the Public Accounts of the Province. The reporting requirements under subsections 12(2)(d) and (e) of the *Audit Act* are also met in this chapter.

In Chapter Two, we report on the activities of the Office of the Provincial Auditor and reproduce the Office's externally audited financial statement for the year ended March 31, 2000.

Chapter Three provides information on the composition and activities of the Standing Committee on Public Accounts.

2.00 *OFFICE ORGANIZATION AND PERSONNEL*

The Office organization consists of management teams, each of which is headed by a director responsible for the audits of a sizeable portfolio. Audit managers are assigned to portfolios. The composition of the portfolios attempts to align somewhat related audit entities and to foster expertise in the various areas of audit activity. The Provincial Auditor, the Assistant Provincial Auditor and the portfolio directors make up the Office's Executive Steering Committee (ESC). The executive management of the Office as at September 30, 2000 consisted of:

Erik Peters, FCA	-	Provincial Auditor
Jim McCarter, CA	-	Assistant Provincial Auditor
Paul Amodeo, CA	-	Director, Public Accounts, Information Technology and Research Portfolio
Walter Bordne, CA	-	Director, Community and Social Services, and Revenue Portfolio
Andrew Cheung, CA	-	Director, Justice and Regulatory Portfolio
Gerard Fitzmaurice, CA	-	Director, Economic Development, and Transportation Portfolio
John McDowell, CA	-	Director, Crown Agencies, Corporations, Boards and Commissions Portfolio
Nick Mishchenko, CMA	-	Director, Health and Long-Term Care, and Municipal Affairs and Housing Portfolio
Gary Peall, CA	-	Director, Education, Training, Colleges and Universities, and Professional Practices Portfolio

Annemarie Wiebe, CHRP, the Manager of Human Resources, regularly attends meetings of the ESC to provide advice on matters related to human resources.

The audit managers, together with the members of the ESC, constitute the Office's Resource Planning and Allocation Committee. All audit staff below the level of audit manager are assigned to audits from an audit staff pool.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. It is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence and integrity in their work. The Code provides the reasoning for these expectations and further describes the Office's responsibilities to the Legislative Assembly, the public and our audit entities. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations.

CANADIAN COUNCIL OF LEGISLATIVE AUDITORS

The 28th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) was held in Halifax, Nova Scotia from September 17 to 19, 2000. This annual gathering, bringing together legislative auditors from the federal government and the provinces, provides a useful forum for sharing ideas and exchanging information important to the work of the legislative auditing community.

The Provincial Auditor and the Assistant Provincial Auditor attended this year's meeting, which covered such topics as:

- Accountabilities of Legislative Auditors
- The PSAB Reporting Model
- Activities of the CCAF-FCVI Inc.

The meeting also included a joint session with the Canadian Council of Public Accounts Committees on the subject of *Ethics in Government*.

ACKNOWLEDGMENT

AUDITEES AND STAFF

The Provincial Auditor expresses sincere appreciation to the officials of ministries, agencies and other entities for their cooperation in providing his staff with all the information and explanations required during the performance of the Office's audit work.

The Provincial Auditor extends a special appreciation to the staff of the Office for their dedication, competence and the professional manner in which they have carried out their duties.

The Office wishes to express its appreciation to Mr. Ken Leishman, CA, Assistant Provincial Auditor, on his retirement from the Office on June 30, 2000. Mr. Leishman was employed with the Office for almost 30 years and served the last five years as Assistant Provincial Auditor. The contributions he made to the success of the Office and its programs of service to the Legislative Assembly and the public were substantial. Staff who had the privilege of working with him will miss his thoughtful and valuable advice.

OFFICE EXPENDITURE

The following is the 2000 audited Statement of Expenditure for the Office.

Office of the Provincial Auditor
Statement of Expenditure
For the Year Ended March 31, 2000

	2000		1999	
	Actual ($000s)	Estimates ($000s)	Actual ($000s)	Estimates ($000s)
Salaries and wages	4,364	4,983	4,361	4,838
Employee benefits (note 2)	880	976	876	947
Transportation and communication	183	168	149	148
Services	1,503	1,476	1,677	1,508
Supplies and equipment	222	80	133	67
Transfer payment - CCAF – FCVI Inc.	50	50	50	50
	7,202	7,733	7,246	7,558
The Audit Act (statutory)	155	155	154	155
	7,357	7,888	7,400	7,713

Notes:

1. Accounting Policy
   The statement of expenditure has been prepared using a modified cash basis of accounting, which allows for an additional 30 days to pay for goods and services received during the fiscal year just ended.

2. Pension Plan
   The Office provides pension benefits for its employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario. The Office's contribution related to the PSPF for the year was $353,862 (1999 - $361,401).

3. Public Sector Salary Disclosure Act, 1996
   Section 3(5) of this Act requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000 in calendar year 1999. For the Office, this disclosure is as follows:

		Salary Paid $	Taxable Benefits $
Peters, Erik	*Provincial Auditor*	*153,881*	*3,043*
Leishman, Kenneth	*Assistant Provincial Auditor*	*141,328*	*351*
Bordne, Walter	*Director*	*108,185*	*281*
Cheung, Andrew	*Director*	*105,719*	*281*
Fitzmaurice, Gerard	*Director*	*105,719*	*281*
McDowell, John	*Director*	*105,719*	*281*
Mishchenko, Nicholas	*Director*	*105,719*	*281*
Peall, Gary	*Director*	*105,719*	*281*

4. Estimates

The "Estimates" shown on the statement of expenditure have been taken from the approved expenditure estimates for the respective years.

Auditors' Report

TO THE BOARD OF INTERNAL ECONOMY
THE PROVINCE OF ONTARIO

We have audited the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 2000. This statement is the responsibility of the management of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used as well as evaluating the overall statement presentation.

In our opinion, this statement presents fairly, in all material respects, the expenditures of the Office of the Provincial Auditor for the year ended March 31, 2000 in accordance with the accounting policy referred to in note 1 to the statement.

Toronto, Ontario
July 18, 2000

ALLEN & MILES
CHARTERED ACCOUNTANTS

CHAPTER THREE

The Standing Committee on Public Accounts

3.00 APPOINTMENT AND COMPOSITION OF THE COMMITTEE

The Standing Orders of the Legislature provide for the appointment of an all-party Standing Committee on Public Accounts for each session of the Legislature.

The membership of the Committee is approximately proportional to the respective party membership in the Legislature. All members are entitled to vote on motions with the exception of the Chair, whose vote is restricted to the breaking of a tie.

In accordance with the Standing Orders, a Standing Committee on Public Accounts was appointed on November 1, 1999, soon after the commencement of the First Session of the Thirty-seventh Parliament. The membership of the Committee at June 22, 2000 when the House adjourned for the summer recess was as follows:

John Gerretsen, Chair, Liberal
John Cleary, Vice-chair, Liberal
John Hastings, Progressive Conservative
Shelley Martel, New Democrat
Bart Maves, Progressive Conservative
Julia Munro, Progressive Conservative
Marilyn Mushinski, Progressive Conservative
Richard Patten, Liberal

ROLE OF THE COMMITTEE

The Committee examines, assesses and reports to the Legislature on a number of issues, including the economy and efficiency of government operations; the effectiveness of programs in achieving their objectives; controls over assets, expenditures, and the assessment and collection of revenues; and the reliability and appropriateness of information in the Public Accounts.

In fulfilling this role, the Committee reviews and reports to the Legislature its observations, opinions and recommendations on selected matters in the reports of the Provincial Auditor and the Public Accounts. These documents are deemed to have been permanently referred to the Committee as they become available.

PROVINCIAL AUDITOR'S ROLE IN THE PROCESS

The Provincial Auditor assists the Committee by providing appropriate audit information for use by the Committee in its scrutiny of government programs and financial activities.

In addition, the Provincial Auditor and senior staff attend committee meetings during the Committee's review of the reports of the Provincial Auditor and the Public Accounts and assist the Committee in planning its agenda.

COMMITTEE PROCEDURES AND OPERATIONS

GENERAL

The Committee meets on Thursday mornings when the Legislature is sitting. At times, the Committee also meets during the summer and winter when the Legislature is not sitting. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of committee reports.

At meetings dealing with ministry operations, the deputy minister, usually accompanied by senior ministry officials, answers questions raised by committee members. Since the Committee is concerned with administrative rather than policy matters, ministers rarely attend. When the Committee is reviewing Crown agencies, the chief executive officer, usually accompanied by senior agency staff and, at times, the chair of the board, attend the meetings.

MEETINGS HELD

From October 1999 to September 2000, the Committee met regularly on its designated meeting day when the Legislature was sitting and also met during the Winter and Summer Adjournments to consider the reports of the Provincial Auditor. The Committee's work during this period included:

- reviewing the following from the Provincial Auditor's *1999 Annual Report*:
  - Ministry of the Attorney General—Family Responsibility Office and Office of the Public Guardian and Trustee;
  - Ministry of Finance—Provincial Personal Income Tax Revenue and Related Credits and Reductions;
  - Ministry of Health and Long-Term Care—Cancer Care Ontario;
  - Management Board Secretariat—Government Advertising and Year 2000/Information Technology Preparedness;
  - Ministry of Transportation—Provincial Highway Maintenance;
  - The following follow-ups of recommendations contained in the *1997 Annual Report:*
    - Ministry of Community and Social Services—Child and Family Intervention Program and Transfer Payment Agency Accountability and Governance;
    - Ministry of Education and Training—Ontario Student Assistance Program;
    - Ministry of the Environment—Conservation and Prevention Division; and

- Ministry of Health—Mental Health Program, Community Based Services Activity.
- Ministry of Community and Social Services—Special Assignment Report on the Administration of the Andersen Agreement;

- finalizing reports to the Legislature covering its 1999/2000 activities.

REQUEST FOR SPECIAL AUDIT

On December 17, 1998, the Committee requested that the Provincial Auditor report to the Public Accounts Committee by mid-June on the corrective action taken by the Ministry of Community and Social Services on the administration of the Andersen Agreement.

3.00

Due to the dissolution of the third session of the Thirty-sixth Parliament, there was no Public Accounts Committee in mid-June 1999; consequently, no report was made at that time. In addition, the necessary decisions to extend the Andersen Agreement, originally due to be made by January 27, 1999, had not been made. However, as a result of a new motion carried by the current Standing Committee on Public Accounts at its meeting on November 18, 1999, an interim report was prepared with financial numbers to July 31, 1999, which was submitted to the Committee on December 3, 1999.

COMMITTEE PROCEDURES

The Committee conducts hearings and then reports its comments and recommendations to the Legislature. Committee procedures include the following:

- in-depth briefings and preparation;
- when practical, the inclusion of ministry responses in committee reports; and
- follow-up of committee recommendations.

The Committee also follows up in writing with those ministries and Crown agencies not selected for detailed review by the Committee regarding their plans and timetables for addressing the concerns raised in the Provincial Auditor's reports. This process enables each auditee to update the Committee on activities since the completion of the audit, such as any initiatives taken to address the Provincial Auditor's recommendations.

REPORTS OF THE COMMITTEE

GENERAL

The Committee issues its reports to the Legislature. These reports contain a précis of the information reviewed by the Committee during its meetings, together with comments and recommendations.

All committee reports are available through the Clerk of the Committee, thus affording public access to full details of committee deliberations.

FOLLOW-UP OF RECOMMENDATIONS MADE BY THE COMMITTEE

The Clerk of the Committee is responsible for following up on the actions taken by ministries or agencies on the Committee's recommendations. The Office of the Provincial Auditor confers with the Clerk to ascertain the status of the recommendations and, if considered necessary, brings any significant matters in the Provincial Auditor's reports to the attention of the Legislature.

STATUS OF COMMITTEE RECOMMENDATION RESPECTING AMENDMENTS TO THE AUDIT ACT

Detailed information on this subject and other related matters is contained in Chapter Two of the Provincial Auditor's *Special Report on Accountability and Value for Money.*

OTHER COMMITTEE ACTIVITIES

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES (CCPAC)

CCPAC consists of delegates of federal, provincial and territorial public accounts committees from across Canada. CCPAC meets at the same time and place as the Canadian Council of Legislative Auditors (CCOLA) to discuss issues of current interest. The twenty-first annual meeting of CCPAC was held in Halifax, Nova Scotia from September 17 to 19, 2000. The annual CCPAC and CCOLA meetings also permit the delegations to participate in a joint session to discuss subjects of mutual interest to politicians and legislative auditors. The 2000 joint session with CCOLA was on the subject of *Ethics in Government.*

Exhibits

EXHIBIT ONE

Value for Money Audits and Reviews Conducted in 1999/2000

The following value for money audits and reviews were conducted in 1999/2000 and were reported on this year in the Provincial Auditor's *Special Report on Accountability and Value for Money*.

Agriculture, Food and Rural Affairs

- AgriCorp

Community and Social Services

- Child Welfare Services Program

Consumer and Commercial Relations

- Project to Automate the Land Registration System (POLARIS)

Correctional Services

- Institutional Services and Young Offender Operations

Education

- Pupil Transportation Grants to School Boards

Environment

- Operations Division

Finance

- Retail Sales Tax Program

Health and Long-Term Care

- Community Health Centre Program
- Emergency Health Services
- Health Service Organization and Primary Care Network Programs
- Ontario Midwifery Program

Management Board Secretariat

- Movable Assets

Natural Resources

- Forest Management Program

Ontario Native Affairs Secretariat

Transportation

- Monitoring School Purpose Vehicle Safety

EXHIBIT TWO

Agencies of the Crown

(I) AGENCIES WHOSE ACCOUNTS ARE AUDITED BY THE PROVINCIAL AUDITOR

AgriCorp

Agricultural Rehabilitation and Development Directorate of Ontario

Algonquin Forestry Authority

Cancer Care Ontario

Centennial Centre of Science and Technology

Chief Election Officer

Eastern Ontario Development Corporation

Egg Fund Board (December 31), Fund for Egg Producers

Election Fees and Expenses, *Election Act*

Financial Services Commission of Ontario

Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans and Canola

Legal Aid Ontario

Liquor Control Board of Ontario

Livestock Financial Protection Board, Fund for Livestock Producers

Northern Ontario Development Corporation

Northern Ontario Heritage Fund Corporation

Office of the Assembly

Office of the Environmental Commissioner

Office of the Information and Privacy Commissioner

Office of the Children's Lawyer

Office of the Ombudsman

Ontario Clean Water Agency (December 31)

Ontario Development Corporation

Ontario Educational Communications Authority

Ontario Electricity Financial Corporation

Ontario Exports Inc.

Ontario Farm Products Marketing Commission, Fund for Milk and Cream Producers

Ontario Film Development Corporation

Ontario Financing Authority

Ontario Food Terminal Board

Ontario Heritage Foundation

Ontario Housing Corporation (December 31)

Ontario Immigrant Investor Corporation

Ontario Junior Farmer Establishment Loan Corporation

Ontario Lottery Corporation

Ontario Northland Transportation Commission (December 31)

Ontario Place Corporation

Ontario Racing Commission

Ontario Realty Corporation

Ontario Securities Commission

Ontario Tourism Marketing Partnership Corporation

Ontario Transportation Capital Corporation

Province of Ontario Council for the Arts

Provincial Judges Pension Fund, Provincial Judges Pension Board

Public Guardian and Trustee for the Province of Ontario

Toronto Area Transit Operating Authority

(II) AGENCIES WHOSE ACCOUNTS ARE AUDITED BY ANOTHER AUDITOR UNDER THE DIRECTION OF THE PROVINCIAL AUDITOR

Board of Community Mental Health Clinic, Guelph

Niagara Parks Commission (October 31)

Ontario Mental Health Foundation

St. Clair Parkway Commission (December 31)

St. Lawrence Parks Commission

Workplace Safety and Insurance Board (December 31)

NOTES:

1. Dates in parentheses indicate fiscal periods ending on a date other than March 31.

2. Changes during the 1999/2000 fiscal year:

   Additions:

   - Chief Election Officer
   - Ontario Electricity Financial Corporation
   - Ontario Immigrant Investor Corporation
   - Ontario Tourism Marketing Partnership Corporation

   Deletions:

   - Commission on Election Finances
   - Innovation Ontario Corporation
   - Tobacco Diversification Fund, Tobacco Diversification Committee

   Inactive:

   - North Pickering Development Corporation

EXHIBIT THREE

Crown Controlled Corporations

CORPORATIONS WHOSE ACCOUNTS ARE AUDITED BY AN AUDITOR OTHER THAN THE PROVINCIAL AUDITOR, WITH FULL ACCESS BY THE PROVINCIAL AUDITOR TO AUDIT REPORTS, WORKING PAPERS AND OTHER RELATED DOCUMENTS

Art Gallery of Ontario Crown Foundation

Baycrest Hospital Crown Foundation

Big Thunder Sports Park Ltd.

Board of Funeral Services

Brock University Foundation

Carleton University Foundation

CIAR Foundation (Canadian Institute for Advanced Research)

Canadian Opera Company Crown Foundation

Canadian Stage Company Crown Foundation

Dairy Farmers of Ontario

Deposit Insurance Corporation of Ontario

Education Quality and Accountability Office

Foundation at Queen's University at Kingston

Grand River Hospital Crown Foundation

Lakehead University Foundation

Laurentian University of Sudbury Foundation

McMaster University Foundation

McMichael Canadian Art Collection

Metropolitan Toronto Convention Centre Corporation

Moosonee Development Area Board

Mount Sinai Hospital Crown Foundation

National Ballet of Canada Crown Foundation

Nipissing University Foundation

North York General Hospital Crown Foundation

Ontario Casino Corporation

Ontario Foundation for the Arts

Ontario Hydro Sevices Company Inc.

Ontario Mortgage Corporation

Ontario Municipal Employees Retirement Board

Ontario Pension Board

Ontario Power Generation Inc.

Ontario Superbuild Corporation

Ontario Trillium Foundation

Ottawa Congress Centre

Royal Botanical Gardens Crown Foundation

Royal Ontario Museum

Royal Ontario Museum Crown Foundation

Ryerson Polytechnic University Foundation

Science North

Shaw Festival Crown Foundation

St. Michael's Hospital Crown Foundation

Stadium Corporation of Ontario Limited

Stratford Festival Crown Foundation

Sunnybrook Hospital Crown Foundation

Toronto East General Hospital Crown Foundation

Toronto Hospital Crown Foundation

Toronto Islands Residential Community Trust Corporation

Toronto Symphony Orchestra Crown Foundation

Trent University Foundation

University of Guelph Foundation

University of Ottawa Foundation

University of Toronto Foundation

University of Waterloo Foundation

University of Western Ontario Foundation

University of Windsor Foundation

Waterfront Regeneration Trust Agency

Wilfrid Laurier University Foundation

Women's College and Wellesley Central Crown Foundation

York University Foundation

NOTES:

Changes during the 1999/2000 fiscal year:

Additions:

- Ontario Hydro Services Company Inc.
- Ontario Power Generation Inc.
- Ontario Superbuild Corporation

Deletions:

- Ontario Centre for Resource Machinery Technology
- Ontario Hydro
- Ontario Immigrant Investor Corporation
- Ontario Investment Services Inc.
- Ontario Tourism Marketing Partnership Corporation
- Ortech Corporation
- Travel Industry Compensation Fund Corporation

EXHIBIT FOUR

Treasury Board Orders

AMOUNTS AUTHORIZED AND EXPENDED THEREUNDER YEAR ENDED MARCH 31, 2000

Ministry	Date of Order	Authorized	Expended
		$	$
Agriculture, Food and Rural Affairs	Feb. 1, 2000	3,642,300	3,642,150
	Apr. 13, 2000	9,864,300	4,126,492
		13,506,600	7,768,642
Attorney General	Oct. 28, 1999	1,129,900	1,129,000
	Dec. 2, 1999	24,779,200	23,219,958
	Dec. 9, 1999	7,300,000	7,300,000
	Apr. 6, 2000	17,765,100	17,535,259
		50,974,200	49,185,117
Cabinet Office	Feb. 1, 2000	3,333,400	1,950,662
Citizenship, Culture and Recreation	Mar. 22, 2000	10,080,100	9,104,455
Community and Social Services	Dec. 9, 1999	6,849,000	6,849,000
	Apr. 6, 2000	31,639,000	28,857,116
		38,488,000	35,706,116
Consumer and Commercial Relations	Sept. 22, 1999	2,183,000	1,966,367
	Feb. 1, 2000	4,328,000	4,328,000
	Mar. 22, 2000	4,177,100	4,172,676
		10,688,100	10,467,043
Economic Development, Trade and Tourism	Mar. 7, 2000	9,751,500	6,180,956
	Apr. 13, 2000	318,100	164,839
		10,069,600	6,345,795
Education and Training	Mar. 21, 2000	141,502,900	88,701,201
	Apr. 13, 2000	308,079,800	294,158,647
		449,582,700	382,859,848

Ministry	Date of Order	Authorized	Expended
		$	$
Environment	Mar. 7, 2000	11,407,000	11,407,000
	Mar. 22, 2000	4,815,800	4,456,529
		16,222,800	15,863,529
Finance	Mar. 7, 2000	16,459,100	15,308,616
	Mar. 22, 2000	261,900	—
		16,721,000	15,308,616
Office of Francophone Affairs	Nov. 4, 1999	75,000	75,000
	Mar. 7, 2000	350,400	105,991
	Mar. 22, 2000	88,300	—
		513,700	180,991
Health	Jan. 18, 2000	51,257,200	46,726,950
	Mar. 7, 2000	49,496,700	49,496,700
	Mar. 20, 2000	100,500,000	99,225,160
	Mar. 22, 2000	66,530,900	36,041,077
		267,784,800	231,489,887
Labour	Mar. 7, 2000	3,882,300	3,606,127
	Mar. 22, 2000	2,984,100	2,620,952
	Apr. 13, 2000	297,500	294,579
		7,163,900	6,521,658
Management Board Secretariat	May 4, 1999	15,000,000	6,000,000
	Oct. 28, 1999	5,500,000	5,500,000
	Feb. 1, 2000	4,525,000	2,072,607
	Mar. 22, 2000	25,594,800	22,391,338
		50,619,800	35,963,945
Municipal Affairs and Housing	Oct. 28, 1999	52,242,300	52,242,300
	Dec. 2, 1999	34,328,000	27,476,369
	Feb. 1, 2000	2,556,300	1,736,171
	Apr. 13, 2000	12,203,400	—
		101,330,000	81,454,840
Natural Resources	June 15, 1999	52,000,000	45,054,296
	Nov. 18, 1999	88,173,000	81,624,452
	Jan. 18, 2000	12,876,200	12,876,200
	Mar. 23, 2000	14,116,500	—
	Apr. 11, 2000	19,729,100	19,620,954
		186,894,800	159,175,902
Northern Development and Mines	Mar. 22, 2000	1,507,300	1,291,747
Office of the Premier	Jan. 18, 2000	350,000	272,067

Ministry	Date of Order	Authorized	Expended
		$	$
Ontario Native Affairs Secretariat	Nov. 18, 1999	862,300	862,300
	Feb. 15, 2000	453,000	451,926
		1,315,300	1,314,226
Solicitor General and Correctional Services	Sept. 22, 1999	10,988,700	10,988,700
	Dec. 9, 1999	4,075,000	4,075,000
	Dec. 9, 1999	30,229,700	30,229,700
	Dec. 14, 1999	7,488,200	7,048,162
	Mar. 7, 2000	11,487,100	11,487,100
	Mar. 22, 2000	63,780,000	62,313,970
	Apr. 13, 2000	25,400,000	23,802,715
		153,448,700	149,945,347
Transportation	Feb. 1, 2000	9,422,000	7,714,000
	Mar. 22, 2000	27,177,200	25,915,016
		36,599,200	33,629,016
Total Treasury Board Orders		**1,427,194,000**	**1,235,799,449**

EXHIBIT FIVE

Extracts from the *Audit Act*

R.S.O. 1990, Chapter A.35

Definitions

1. In this Act,

"agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body,

(a) whose accounts the Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

(b) whose accounts are audited by the Auditor under any other Act or whose accounts the Auditor is appointed by the Lieutenant Governor in Council to audit,

(c) whose accounts are audited by an auditor, other than the Auditor, appointed by the Lieutenant Governor in Council, or

(d) the audit of the accounts of which the Auditor is required to direct or review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor under any other Act,

but does not include one that the *Crown Agency Act* states is not affected by that Act or that any other Act states is not a Crown agency within the meaning or for the purposes of the *Crown Agency Act*;

"Auditor" means the Provincial Auditor;

"Crown controlled corporation" means a corporation that is not an agency of the Crown and having 50 per cent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council;

"inspection audit" means an examination of accounting records;

"public money" has the same meaning as in the *Financial Administration Act*.

Audit of Consolidated Revenue Fund

9.—(1) The Auditor shall audit, on behalf of the Assembly and in such manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise.

Audit of agencies of the Crown

(2) Where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Auditor shall perform the audit, and, despite any other Act, where the accounts and financial transactions of an agency of the Crown are audited by another auditor, the audit shall be performed under the direction of the Auditor and such other auditor shall report to the Auditor.

Audit of Crown controlled corporations

(3) Where the accounts of a Crown controlled corporation are audited other than by the Auditor, the person or persons performing the audit,

(a) shall deliver to the Auditor forthwith after completion of the audit a copy of their report of their findings and their recommendations to the management and a copy of the audited financial statements of the corporation;

(b) shall make available forthwith to the Auditor, when so requested by the Auditor, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request;

(c) shall provide forthwith to the Auditor, when so requested by the Auditor, a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation.

Additional examination and investigation

(4) Where the Auditor is of the opinion that any information, explanation or document that is provided, made available or delivered to him or her by the auditor or auditors referred to in subsection (2) or (3) is insufficient, the Auditor may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the Auditor considers necessary.

Information and access to records

10. Every ministry of the public service, every agency of the Crown and every Crown controlled corporation shall furnish the Auditor with such information regarding its powers, duties, activities, organization, financial transactions and methods of business as the Auditor from time to time requires, and the Auditor shall be given access to all books, accounts, financial records, reports, files and all other papers, things or property belonging to or in use by the ministry, agency of the Crown or Crown controlled corporation and necessary to the performance of the duties of the Auditor under this Act.

Annual report

12.—(1) The Auditor shall report annually to the Speaker of the Assembly after each fiscal year is closed and the Public Accounts are laid before the Assembly, but not later than the 31st day of December in each year unless the Public Accounts are not laid before the Assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the Auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session or, if not, not later than the tenth day of the next session.

Contents of report

(2) In the annual report in respect of each fiscal year, the Auditor shall report on,

(a) the work of the Office of the Auditor, and on whether in carrying on the work of the Office the Auditor received all the information and explanations required;

(b) the examination of accounts of receipts and disbursements of public money;

(c) the examination of the statements of Assets and Liabilities, the Consolidated Revenue Fund and Revenue and Expenditure as reported in the Public Accounts, and shall express an opinion as to whether the statements present fairly the financial position of the Province, the results of its operations and the changes in its financial position in accordance with the accounting principles stated in the Public Accounts applied on a basis consistent with that of the preceding fiscal year together with any reservations the Auditor may have;

(d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;

(e) all orders of the Management Board of Cabinet made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;

(f) such matters as, in the opinion of the Auditor, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matter related to the audit of agencies of the Crown or Crown controlled corporations or any cases where the Auditor has observed that,

(i) accounts were not properly kept or public money was not fully accounted for,

(ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,

(iii) money was expended other than for the purposes for which it was appropriated,

(iv) money was expended without due regard to economy and efficiency, or

(v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the Auditor, the established procedures were not satisfactory.

Inspection audit

13.—(1) The Auditor may perform an inspection audit in respect of a payment in the form of a grant from the Consolidated Revenue Fund or an agency of the Crown and may require a recipient of such a payment to prepare and to submit to the Auditor a financial statement that sets out the details of the disposition of the payment by the recipient.

Attendance at standing Public Accounts Committee of the Assembly

16. At the request of the standing Public Accounts Committee of the Assembly, the Auditor and any member of the Office of the Auditor designated by the Auditor shall attend at the meetings of the committee in order,

(a) to assist the committee in planning the agenda for review by the committee of the Public Accounts and the annual report of the Auditor; and

(b) to assist the committee during its review of the Public Accounts and the annual report of the Auditor,

and the Auditor shall examine into and report on any matter referred to him or her in respect of the Public Accounts by a resolution of the committee.

Special assignments

17. The Auditor shall perform such special assignments as may be required by the Assembly, the standing Public Accounts Committee of the Assembly, by resolution of the committee, or by a minister of the Crown in right of Ontario but such special assignments shall not take precedence over the other duties of the Auditor under this Act and the Auditor may decline an assignment by a minister of the Crown that, in the opinion of the Auditor, might conflict with the other duties of the Auditor.

Audit working papers

19. Audit working papers of the Office of the Auditor shall not be laid before the Assembly or any committee of the Assembly.